

26 March 2010

Company Announcements Office  
Australian Securities Exchange

- 1. Legal Action against CES Vendors – Update**
- 2. Release of Escrowed Shares**

### **1. LEGAL ACTION AGAINST CES VENDORS - UPDATE**

Pacific Environment Limited (“PEL” or “the Company”) acquired Commercial Energy Services Pty Ltd (“CES”) on 23 December 2008 pursuant to a Share Purchase Agreement (“the Share Purchase Agreement”). PEL paid to the CES vendors a total of \$200,000 and issued to them a total of 3,562,364 shares in PEL as partial consideration for the acquisition of CES. On 11 December last year PEL advised that it had commenced legal action in the New South Wales Supreme Court against the vendors of CES (thirteen in total) alleging, amongst other things, misrepresentation and misleading and deceptive conduct and, in the case of at least one of the CES vendors, fraud, and that the orders sought by PEL include orders that:

1. the CES vendors repay to PEL the \$200,000 previously paid by PEL to them;
2. the shares issued by PEL to the CES vendors be cancelled;
3. PEL has no further liability to the CES vendors under the Share Purchase Agreement; and
4. the CES vendors pay damages and PEL’s costs of the legal action to PEL.

On 11 March 2010 PEL advised that it had settled its claims against several of the CES vendors. PEL is pleased to advise that it has now settled its claims against several more of the CES vendors, bringing to 8 of the 13 CES vendors PEL has settled its claims against. The terms of settlement between PEL and each of the vendors are confidential, however PEL can advise that as part of the settlement against the additional CES vendors in question those CES vendors will transfer all the shares previously issued to them by PEL (452,020 in total) back to PEL. PEL will take the appropriate steps to have those shares cancelled in due course. This brings to 1,423,736 the number of PEL shares recovered from the CES vendors to date.

PEL will continue to pursue its legal action against the remaining 5 CES vendors.

### **2. RELEASE OF ESCROWED SHARES**

The 452,020 shares referred to above (all fully paid ordinary shares) are currently subject to voluntary escrow. Those shares will be released from escrow on 14 April 2010.

Yours faithfully

**PACIFIC ENVIRONMENT LIMITED**



Merv Jones  
Chairman